

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 EB-07 SAJ-01 STR-01 AGR-05

FEAE-00 OES-03 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 NIC-01 ACDA-05 /080 W
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R 241212Z JAN 75

FM AMEMBASSY BUDAPEST

TO /SECSTATE WASHDC 2580

DEPT OF COMMERCE WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

C O N F I D E N T I A L BUDAPEST 0229

E.O. 11652: GDS

TAGS: ETRD, ENRG, HU, UR

SUBJECT: SNAGS IN SOVIET-HUNGARIAN TRADE NEGOTIATIONS

REFERENCE: BUDAPEST 3567

1. BEGIN SUMMARY: ACCORDING TO USUALLY WELL INFORMED
CORRESPONDENT FOR HUNGARY'S INFLUENTIAL ECONOMIC DAILY
VILAGGAZDASAG A CONSIDERABLE AMOUNT OF HARD BARGAINING
IS TAKING PLACE REGARDING THE 1975 HUNGARIAN-SOVIET
TRADE PROTOCOL WITH THE QUESTION OF WHETHER OR NOT
PRICES WILL BE RAISED IN 1975 INSTEAD OF 1976, AS
ORIGINALLY PLANNED, THE MAIN BONE OF CONTENTION.
SOVIETS APPARENTLY PRESSING HARD FOR SIZEABLE HIKE
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IN OIL PRICES TO GO INTO EFFECT IMMEDIATELY WHILE

HUNGARIANS NEGOTIATING HARD TO PREVENT THIS OR AT LEAST OBTAIN SUBSTANTIAL PRICE RISE FOR HUNGARIAN GOODS DELIVERED TO U.S.S.R. DIFFERENCES HAVE LED TO POSTPONEMENT IN SIGNING OF HUNGARIAN-SOVIET TRADE AGREEMENT WHICH WAS ORIGINALLY EXPECTED TO BE ANNOUNCED IMMEDIATELY FOLLOWING FOREIGN TRADE MINISTER BIRO'S VISIT TO MOSCOW DURING FIRST WEEK OF JANUARY. END SUMMARY

2. UNUSUALLY HEAVY TRAVEL OF TOP HUNGARIAN AND SOVIET ECONOMIC DECISION MAKERS DURING LAST THREE WEEKS APPARENTLY DUE DIFFERENCES BETWEEN SOVIETS AND HUNGARIANS REGARDING 1975 TRADE AGREEMENT. PARADE OF VISITORS BEGAN SHORTLY AFTER CHRISTMAS WITH TWO DAY VISIT TO BUDAPEST OF HIGH POWERED SOVIET DUO CONSISTING OF GOSPLAN CHAIRMAN BAYBAKOV AND FOREIGN TRADE MINISTER PATOLICHEV (SEE REFTEL). UNLIKE GOSPLAN CHIEF'S VISIT TO POLAND IN EARLY DECEMBER WHERE AGREEMENT REACHED ON OIL SOVIET DELIVERIES, PATOLICHEV AND BAYBAKOV LEFT HUNGARY WITH A MINIMUM OF FANFARE AND NO AGREEMENT. VISIT BY FOREIGN TRADE MINISTER BIRO TO U.S.S.R. DURING FIRST WEEK OF JANUARY SEEMS TO HAVE BEEN EQUALLY LACKING IN RESULT. ALTHOUGH LIMITED CIRCULATION ECONOMIC DAILY VILAGGAZDASAG ANNOUNCED JANUARY 10, THAT BILATERAL TRADE ACCORD WOULD BE SIGNED DURING FOLLOWING WEEK "OR PRIOR TO JANUARY 20," NOTHING HAS BEEN PUBLICLY ANNOUNCED. INSTEAD THERE HAVE BEEN SUBSEQUENT VISITS OF CEMA CHIEF FADEYEV TO BUDAPEST LAST WEEK, AND THIS WEEK'S TRIP TO MOSCOW BY BIRO AND STATE PLANNING COMMITTEE CHAIRMAN GYORGY LAZAR. WHILE FADEYEV AND LAZAR VISITS MAY BE PRIMARILY CONCERNED WITH BROADER CEMA QUESTIONS, BIRO'S RETURN TO MOSCOW DIRECTLY CONNECTED WITH THE ATTEMPT TO REACH AGREEMENT ON A TRADE ACCORD.

3. DELAY IN SIGNING OF AGREEMENT APPARENTLY OCCASIONED BY INABILITY TO COME TO TERMS OF QUESTIONS OF PRICES FOR 1975. USUALLY WELL INFORMED CORRESPONDENT FOR ECONOMIC DAILY VILAGGAZASAG HAS TOLD US THAT SOVIETS CASE NOW INSISTING THAT PRICE RISES ORIGINALLY SCHEDULED FOR 1976 BE BROUGHT INTO EFFECT IN 1975 AND THAT OIL PRICES IN PARTICULAR BE INCREASED CONSIDERABLY. CONFIDENTIAL

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HUNGARIANS APPARENTLY DIGGING IN HEELS IN ATTEMPT DELAY EFFECTIVE DATE OF PRICE RISES AND INSISTING, AS A MINIMUM, THAT IF SIZEABLE PRICE RISES FOR SOVIET RAW MATERIALS DELIVERED TO HUNGARY ARE TO GO INTO EFFECT, THERE SHOULD ALSO BE LARGE HIKES IN PRICES FOR HUNGARIAN MANUFACTURED PRODUCTS EXPORTED IN LARGE QUANTITIES TO U.S.S.R. SUCH AS TEXTILES. OUR SOURCE STATES THAT OUTSTANDING DIFFERENCES "COULD TAKE TWO OR THREE WEEKS TO

RESOLVE" PUTTING OFF ANNOUNCEMENT OF TRADE PROTOCOL
UNTIL END FEBRUARY.

4. COMMENT: WHILE HEAVY EXCHANGE OF ECONOMIC
VISITORS COUPLED WITH LACK OF ANNOUNCEMENTS HAS MADE US
SUSPECT THT THERE WERE UNRESOLVED QUESTIONS CONCERNING
TERMS OF SOVIET RAW MATERIAL DELIVERIES DURING COMING
YEAR THIS IS FIRST REPORT WE HAVE OBTAINED FROM WELL
PLACED HUNGARIAN SOURCE REGARDING PRECISE REASONS FOR
DELAY. VILAGGAZDASAG'S REPORTER'S CONTENTION THAT REAL
ISSUE AT STAKE SOVIET DESIRE TO RAISE PRICES ALSO
GIVEN SOME SUPPORT BY PRICE OFFICE CHIEF CSIKOS-NAGY'S
STATEMENT TO WASHINGTON POST REPORTER JANUARY 21, THAT
"THERE IS NOTHING IN CEMA AGREEMENT STIPULATING THAT
PRICES IN INTRA CEMA TRADE CAN BE CHANGED ONLY ONCE
EVERY FIVE YEARS." PERHAPS MOST INTERESTING
ASPECT OF CURRENT HARD BARGAINING IS IT SHOWS THAT IN
SPITE HUNGARY'S LONG STANDING DEFERENCE TO SOVIETS ON
POLITICAL QUESTIONS HUNGARIANS STILL QUITE READY TO DIG
HEELS IN WHEN BREAD AND BUTTER ECONOMIC ISSUES AT STAKE.
THIS CHARACTERISTIC, FOR WHICH HUNGARIANS HAVE ACQUIRED
SOMETHING OF A REPUTATION, SEEMS TO HAVE SURVIVED THE
SUBSTANTIAL WEAKENING OF HUNGARY'S ECONOMIC NEGOTIATING
POSITION VIS A VIS THE SOVIETS DUE LARGE RISES IN WORLD
RAW MATERIAL PRICES.
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